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March 20, 2012

**Via ECFS**

Marlene H. Dortch, Secretary  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: Notice of Ex Parte**

*Connect America Fund*, WC Docket No. 10-90  
*A National Broadband Plan for Our Future*, GN Docket No. 09-51  
*Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135  
*High-Cost Universal Service Support*, WC Docket No. 05-337  
*Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92  
*Federal-State Joint Board on Universal Service*, CC Docket No. 96-45  
*Lifeline and Link-Up*, WC Docket No. 03-109

Dear Ms. Dortch:

On Monday, March 19, 2012, Catherine Moyer of Pioneer Communications (“Pioneer”), along with Paul Cooper of Fred Williamson & Associates, Inc., and Kenneth Johnson and Anthony Veach of Bennet & Bennet, PLLC met with Carol Matthey, Amy Bender, Patrick Halley, Gary Seigel, Rodger Woock, Katie King, and James Eisner from the Federal Communications Commission’s (“FCC” or “Commission”) Wireline Competition Bureau. Pioneer discussed the impact of the Commission’s proposed regression analysis on Pioneer Communications based on the attached documents. Specifically, Pioneer discussed how its employee salary/benefits packages, taken as a whole, were reasonable and prudent. Pioneer also requested that the Commission release what changes, if any, it has made to the regression model or plans to make to the regression model and seek further comment on these proposed changes.

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Should you have any questions or require additional information, please do not hesitate to contact me.

Respectfully submitted,

/s/ Kenneth C. Johnson

Kenneth C. Johnson

cc (via Email): Carol Matthey  
Amy Bender  
Patrick Halley  
Gary Seigel  
Rodger Woock  
Katie King  
James Eisner

## Effect of the Regression Caps on Pioneer Communications

		A	B	C	D=(B-A)
Algorithm	Description	Original	Capped Amount from Regression Analysis	Maximum Allowed Amounts from Regression Analysis	Impacts of Applying Caps
AL1	C&W Cat 1 Loop	\$59,079,332		\$74,590,061	\$0
AL2	COE Cat 4.13 Loop	\$6,975,339		\$17,229,394	\$0
AL7	MAT/SUP CAT 1	\$882,104		\$1,309,035	\$0
AL8	MAT/SUP 4.13	\$104,148		\$299,208	\$0
AL13	MAINT EXP CAT 1	\$386,097		\$1,545,908	\$0
AL14	MAINT EXP 4.13	\$276,949		\$1,072,162	\$0
AL15	NET SUP/ GS EXP	\$800,935		\$972,426	\$0
AL16	NETWORK OP EXP	\$561,702		\$984,893	\$0
AL17	DEP EXP CAT 1	\$3,194,583		\$3,428,425	\$0
AL18	DEP EXP 4.13	\$374,216		\$1,321,502	\$0
AL21	BENEFITS (Loop Portion)	\$2,017,657	\$1,509,953	\$1,509,953	(\$507,704)

## **Effect of the Regression Caps on Pioneer Communications**

1. The FCC Regression impacts only one of Pioneer's HCLF inputs – Benefits.
2. For Pioneer, benefits are higher, but salaries are generally lower – a trade off made by the company to obtain and retain, in this rural area, excellent and highly qualified employees.
3. The effect of this trade off is reflected in the other regressions for expenses and investments which are well below the regression caps.
4. If the regression had been performed at a more aggregate level, this trade off would have been recognized and Pioneer's overall costs would not have been capped.